



PAYROLL TAX

Nexus Provisions

Introduction

1. The *Pay-roll Tax Assessment Amendment Act 2010* amended the *Pay-roll Tax Assessment Act 2002* (the Act) with effect from 1 July 2009 to harmonise the legislation of Western Australia's payroll tax system with the legislation of other jurisdictions.
2. The nexus provisions of the Act determine in which Australian State or Territory ('jurisdiction') payroll tax is to be paid. The nexus provisions were amended effective from 1 July 2009.
3. This revenue ruling explains the nexus rules and clarifies the circumstances when wages must be declared in Western Australia (WA) for payroll tax purposes. It also clarifies the liability for wages paid for services performed outside all Australian jurisdictions. It should be read in conjunction with the attached flowchart which explains how the various scenarios will be treated and shows the circumstances.

Ruling

4. Payroll tax is payable when an employer's total Australian wages exceed the tax-free annual threshold. Australian wages comprise WA wages and interstate wages. WA wages are the wages subject to payroll tax under the Act. Interstate wages are those wages subject to payroll tax in the other jurisdictions under their equivalent payroll tax legislation.
5. To determine whether the wages paid or payable in respect of each monthly return period are subject to WA payroll tax, section 6A of the Act firstly requires an employer to determine whether the person has wholly performed services in WA in a calendar month.
6. Where the person has not wholly performed services in WA in the month, the nexus provisions provide four-tiered tests, which require the following factors to be considered:
 - (a) the person's principal place of residence
 - (b) the employer's registered ABN address/principal place of business
 - (c) the place where the wages are paid to the person or
 - (d) the place where the services are mainly performed.

Determining where wages are taxable - sections 6A-6D

7. Sections 6A, 6B, 6C and 6D need to be applied by employers in determining where wages are liable for payroll tax.
 - A. *Where services are performed wholly in one jurisdiction - section 6A(1)(a)*
8. If services in a month are performed wholly in one jurisdiction, payroll tax is payable in that jurisdiction.

9. Section 6A(1)(a) considers the place where services are performed by the person in the month that the wages are paid or payable even if that place is not where the person usually performs services.

10. For example, Joe normally performs his duties in WA. In June 2010, he is sent to Victoria for a temporary project, and performs all his services in Victoria that month. Wages paid to him in June 2010 for those services are liable to payroll tax in Victoria.

B. Where services are performed in more than one Australian jurisdiction and/or partly outside all Australian jurisdictions - section 6A(1)(b)

11. If services are performed in a month:

(a) in more than one Australian jurisdiction or

(b) in one or more Australian jurisdictions and outside all Australian jurisdictions

then the new nexus provisions provide four-tiered tests for determining payroll tax liability. These tiered tests must be applied in sequence.

Test 1 - Employee's principal place of residence - section 6B

12. Payroll tax is payable in the Australian jurisdiction in which the person's principal place of residence (PPR) is located in that month.

13. If a person has more than one PPR in that month, the person's PPR on the last day of that particular month is the one taken to be the PPR.

14. In the case of a corporation that is taken to be an employee under the Act (e.g. a corporation that is taken to be an employee under common-law provisions or under the employment agency provisions) the corporation's PPR is taken to be in the jurisdiction where its ABN address is located, or if it does not have an ABN address, or has two or more ABN addresses in the jurisdiction, where its principal place of business (PPB) in Australia is located. If the corporate employee has more than one PPB in a month (e.g. where the corporate employee changes its PPB address part way through a month) the PPB is the address on the last day of that month.

Test 2 - Employer's ABN address or principal place of business - section 6C

15. If a person does not have a PPR in an Australian jurisdiction during that month, payroll tax is payable in the jurisdiction where the employer's ABN address is located.

16. If the employer does not have an ABN address, or has two or more ABN addresses in different jurisdictions, payroll tax is payable in the jurisdiction where the employer's PPB in Australia is located.

17. If the employer has more than one PPB in a month (e.g. when an employer changes their PPB address part way through a month) the PPB is the address on the last day of that month.

Test 3 - Where wages are paid or payable - sections 6A(1)(b)(iii) and 6D(6)

18. If the person does not have a PPR in an Australian jurisdiction and the employer does not have an ABN address or a PPB in an Australian jurisdiction, payroll tax is payable in the jurisdiction where the wages are paid or payable.

19. If wages are paid or payable in a number of jurisdictions, payroll tax is paid on the aggregate of the wages in the jurisdiction where the largest proportion of wages is paid.
20. For example, Mary is employed by ABC Pty Ltd and Mary does not have a PPR in an Australian jurisdiction, and ABC Pty Ltd does not have an ABN address or a PPB in an Australian jurisdiction during October 2010.
21. Mary performs services in more than one jurisdiction and is remunerated for those services in WA (\$200), Victoria (\$300) and South Australia (\$1,000). The payments are aggregated and tax is payable on the total amount of \$1,500 in South Australia because that is where the largest proportion of wages is paid.

Test 4 - Services performed mainly in WA - section 6A(1)(b)(iv)

22. If the person does not have a PPR in an Australian jurisdiction and the employer does not have an ABN address or a PPB in an Australian jurisdiction and wages are not paid in an Australian jurisdiction, payroll tax is payable in WA if the services were mainly performed in WA during the month. Services are mainly performed in WA if the actual time worked in WA is more than 50 per cent during the month.

C. Employment in Another Country

Persons working in another country - assignment for less than six continuous months

23. Wages paid or payable in WA to a person performing services wholly in another country (or countries) (that is, an expatriate employee) for a period of less than six continuous months, are taxable in WA.
24. If only part of the wages earned by an expatriate employee is paid in WA and the remaining part is paid in another country, the part of the wages paid in WA must be declared for payroll tax. If the wages earned by the expatriate employee working in another country or countries is paid in more than one Australian jurisdiction, payroll tax is payable on the aggregate of the Australian wages in the Australian jurisdiction where the largest proportion of wages is paid.

Persons working in another country - assignment for more than six continuous months

25. Wages paid in WA are exempt from payroll tax if the person has performed services wholly in another country (or countries) for a continuous period of more than six months after wages were first paid to the person for the services. The exemption includes wages paid for the first six months service.
26. The six month period does not have to be within the one financial year but must be a continuous period.
27. Providing a person immediately returns to another country to continue the assignment, it will not be considered to be a break in continuity of service if they return to Australia in the following circumstances:
 - (a) for a holiday or
 - (b) to perform services exclusively related to the overseas assignment for a period of less than one month.

28. If the person returns to Australia in any other circumstances, the previous period of continuous service in another country is ended. A fresh period of continuous service starts again on the date that the person recommences performing services in the other country.

Services performed offshore

29. Wages paid in WA for services wholly performed outside any Australian jurisdiction are taxable in WA irrespective of the duration of the assignment. This would typically apply to oil rig workers.
30. If wages are paid in more than one Australian jurisdiction, payroll tax is payable on the aggregate of the wages paid in the jurisdiction where the highest proportion of the wages is paid.
31. As the services are not performed in another country, the exemption for services provided outside all Australian jurisdictions for a continuous period of more than six months does not apply.

Wages paid in a foreign currency

32. When calculating the value of wages paid in a foreign currency, RevenueWA will accept an exchange rate conversion, based upon the Reserve Bank of Australia's daily rate published for the day of payment or the yearly average rate for the financial year, as published by the Australian Taxation Office (ATO).
33. The previous year's ATO figure may be applied for the purpose of making monthly returns, provided that the current year's rate is used to make an appropriate adjustment in the Annual Adjustment return.

Further provisions

34. Section 6A also details a number of other factors that employers may need to take into account, in conjunction with the four-tiered tests outlined above, in determining when and where their payroll tax liability arises.

Wages paid in a particular month are deemed to relate to services performed in that month - section 6A(3)

35. Wages paid by an employer to an employee in a particular month are deemed to be paid in relation to services performed by that employee in that month, even if the wages relate to services performed by an employee over several months (i.e. annual bonus).
36. For example, in June 2010 Peter was paid his usual \$3,000 wages for services performed in that month and also a \$2,000 bonus for services performed during the financial year ending June 2010. Even though the bonus payment relates to services performed for the whole financial year, it is taken to be paid in relation to services performed by Peter in June. Therefore, only the services performed in June 2010 will be used in determining whether services were provided wholly in a jurisdiction or in more than one jurisdiction.
37. If Peter performed services wholly in WA in June 2010 payroll tax would be payable on the \$5,000 wages paid to Peter in that month, even though the bonus may relate to services provided by Peter in other jurisdictions during the financial year. If Peter provided services in more than one jurisdiction in June 2010, the four-tiered tests are used to determine in which jurisdiction payroll tax would be payable. In most cases, this would be the jurisdictions where Peter had his PPR in June 2010.

If wages are paid in a different month from when they were payable - section 6A(7)

38. If wages are paid in a different month from the month they are payable, liability arises in the earlier of the two months. For example, wages are paid to Bill in August 2010, but under his employment contract they should have been paid in May 2010. In May 2010, Bill performed services wholly in WA. As May is the earlier month, payroll tax on the wages for his May services is payable in WA even if Bill performed services wholly in Victoria in August. Any additional wages paid in August must be separately analysed.
39. On the other hand, if Bill was paid in August 2010 in advance of his contractual entitlement to payment in September 2010, the wages would be liable in Victoria, where he provided services in August (being the earlier month).

If there are two or more payments in one month - section 6A(6)

40. There may be instances where a person receives two payments of wages from the same employer in one month where one amount is paid for services performed in one jurisdiction and the other amount is paid for services performed in another jurisdiction.
41. For example, Rose receives wages of \$1,000 on 14 November 2010 for services performed in WA. She receives another \$2,000 on 28 November 2010 from the same employer for services performed in Victoria. The two amounts are to be aggregated together and treated as if paid for all services performed by the employee in that month (i.e. in WA and Victoria). Therefore, the four-tiered tests are used to determine in which jurisdiction payroll tax is payable. In most cases, this will be the jurisdiction where Rose has her PPR.

Where no services are performed in the month in which wages are paid - section 6A(4) and (5)

42. There may be situations where an employee does not perform services in the month that wages are paid. In such circumstances, the liability for payroll tax is determined by ascertaining where services were provided for that employer during the most recent prior month.
43. For example, Jane is paid in the month of December but has not provided services to the employer in that month. The last month Jane provided services to that employer was October and those services were provided wholly in WA. As such, payroll tax is payable in WA for the wages paid to Jane in December.
44. However, if Jane provided services in more than one jurisdiction in the month of October, the payroll tax liability for the wages paid in December will be determined by using the four-tiered tests. In most cases, this will be the jurisdiction where her PPR was located in October.
45. There may also be instances where wages are paid to an employee but no services have ever been performed by the employee for the employer. For the purposes of determining where the payroll tax is payable, services are deemed to have been performed at a place or places where it may be reasonably expected that the services will be performed.
46. For example, if Jane accepts an offer of employment in August 2010 to commence work in WA in November 2010 and receives a payment of wages in August 2010, Jane would be taken to have performed services in August 2010 in WA (being the place it can be reasonably expected that services will be performed) and payroll tax on those wages would therefore be payable in WA.

Shares and options

47. Payroll tax liability for the grant of a share or option is also governed by the nexus rules contained in sections 6A, 6B, 6C and 6D of the Act as well as section 9DH of the Act which deems the place where the shares or options are taken to be paid or payable.
48. If all the work was performed in WA in the month in which the relevant day falls (i.e. the granting or vesting date), then the shares or options are taxable in WA. If the work performed in the month in which the relevant day falls was performed:
- (a) in more than one Australian jurisdiction or
 - (b) in one or more Australian jurisdictions and outside all Australian jurisdictions
- then the payroll tax liability for the shares or options will be determined by using the four-tiered tests.
49. For the purposes of the third test, section 9DH of the Act identifies the place where the wages constituted by the value of shares or options are taken to be paid or payable. If the share is a share in a WA company or in the case of an option, an option to acquire shares in a WA company, the relevant wages are taken to be paid in WA.
50. If the share or option is not in a WA company, the relevant wages are taken to be paid outside WA.
51. In this context, *WA company* means:
- (a) a company incorporated or taken to be incorporated under the *Corporations Act 2001* (Cth) that is taken to be registered in WA for the purposes of that Act or
 - (b) any other body corporate that is incorporated under an Act of WA.

Definitions

52. For the purpose of this revenue ruling:
- (a) **ABN address** means the address for service of notices under the *A New Tax System (Australian Business Number) Act 1999* (Cth), as shown in the Australian Business Register kept under that Act.
 - (b) **Australian jurisdiction** means a State and Territory of Australia (the boundaries of each State or Territory include coastal waters as defined in jurisdiction specific reference e.g. *Offshore (Application of Laws) Act 1982* for WA, *Interpretations Act 1987* for New South Wales etc).
 - (c) **Employee** includes other persons to whom taxable wages are paid such as directors and contractors who are deemed employees.
 - (d) **Month** means a calendar month such as January, February, etc.

Please note rulings do not have the force of law. Each decision made by the Commissioner of State Revenue is made on the merits of each individual case having regard to any relevant ruling.

Ruling History

Revenue Ruling	Issued	Effective Dates	
		From	To
PTA 039.1	18 May 2011	18 May 2011	Current

